
INNOCENCE PROJECT NEW ORLEANS

FINANCIAL STATEMENTS

DECEMBER 31, 2011



A Professional Accounting Corporation

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INNOCENCE PROJECT NEW ORLEANS

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CONTENTS

| | <u>Page</u> |
|---|-------------|
| <u>INDEPENDENT AUDITORS' REPORT</u> | 1 |
| <u>FINANCIAL STATEMENTS</u> | |
| Statement of Financial Position | 2 |
| Statement of Activities and Changes in Net Assets | 3 |
| Statement of Functional Expenses | 4 |
| Statement of Cash Flows | 5 |
| <u>NOTES TO FINANCIAL STATEMENTS</u> | 6 - 10 |
| <u>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u> | 11 - 12 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Innocence Project New Orleans

We have audited the accompanying statement of financial position of Innocence Project New Orleans (the Organization) as of December 31, 2011, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innocence Project New Orleans as of December 31, 2011, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Postlethwaite & Netterville

Metairie, Louisiana
June 27, 2012

INNOCENCE PROJECT NEW ORLEANS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

ASSETS

Current assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 79,223 |
| Accounts receivable | 43,355 |
| Total current assets | <u>122,578</u> |

| | |
|---------------------------------------|--------------|
| Other assets - deposits | 3,500 |
| Other assets held for others (note 5) | 186,795 |
| Property and equipment, net | <u>8,146</u> |

| | |
|--------------|--------------------------|
| Total assets | <u><u>\$ 321,019</u></u> |
|--------------|--------------------------|

LIABILITIES AND NET ASSETS

| | |
|--|----------------|
| Current liabilities - accounts payable | \$ 3,035 |
| Amounts due to others (note 5) | 186,795 |
| Total liabilities | <u>189,830</u> |

Net assets:

| | |
|------------------------|----------------|
| Unrestricted | 110,889 |
| Temporarily restricted | 20,300 |
| Total net assets | <u>131,189</u> |

| | |
|----------------------------------|--------------------------|
| Total liabilities and net assets | <u><u>\$ 321,019</u></u> |
|----------------------------------|--------------------------|

The accompanying notes are an integral part of this financial statement.

INNOCENCE PROJECT NEW ORLEANS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Revenues and support: | | | |
| Contributions | \$ 168,766 | \$ - | \$ 168,766 |
| Grants | - | 1,099,162 | 1,099,162 |
| Fundraising event | 40,557 | | 40,557 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>1,078,862</u> | <u>(1,078,862)</u> | <u>-</u> |
| Total revenues and other support | <u>1,288,185</u> | <u>20,300</u> | <u>1,308,485</u> |
| Expenses: | | | |
| Program services | 851,207 | - | 851,207 |
| Supporting services: | | | |
| Management and general | 98,765 | - | 98,765 |
| Fundraising | <u>150,813</u> | <u>-</u> | <u>150,813</u> |
| Total expenses | <u>1,100,785</u> | <u>-</u> | <u>1,100,785</u> |
| Change in net assets | 187,400 | 20,300 | 207,700 |
| NET ASSETS AT BEGINNING OF THE YEAR (Restated) | <u>(76,511)</u> | <u>-</u> | <u>(76,511)</u> |
| NET ASSETS AT END OF THE YEAR | <u>\$ 110,889</u> | <u>\$ 20,300</u> | <u>\$ 131,189</u> |

The accompanying notes are an integral part of this statement.

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

| | Supporting Services | | | |
|--|---------------------|-------------|---------------------------|---------------------------------|
| | Program Services | Fundraising | Management and General | Total Supporting Services |
| Automobile | \$ 1,843 | \$ 80 | \$ 80 | \$ 160 |
| Books and publications | 2,389 | - | - | - |
| Depreciation | 3,642 | 158 | 158 | 316 |
| Forensic/DNA testing costs and expert fees | 26,454 | - | - | - |
| Employee benefits | 61,216 | 4,747 | 4,023 | 8,770 |
| Exonerree assistance | 12,692 | - | - | - |
| Filing fees | - | - | 2,023 | 2,023 |
| Insurance | 6,806 | 189 | 189 | 378 |
| Meetings/conferences/events | 22,737 | 26,990 | 2,071 | 29,061 |
| Miscellaneous expenses | 4,044 | 178 | 178 | 357 |
| Occupancy | 53,330 | 2,319 | 2,319 | 4,639 |
| Office operations | 22,559 | 981 | 981 | 1,961 |
| Payroll taxes | 54,005 | 5,336 | 4,373 | 9,708 |
| Postage and delivery | 3,276 | 143 | 143 | 286 |
| Printing and duplicating | 3,683 | 160 | 160 | 320 |
| Professional fees | - | 50,963 | 33,975 | 84,938 |
| Repairs and maintenance | 4,162 | 180 | 180 | 360 |
| Salaries and wages | 511,359 | 56,432 | 45,953 | 102,385 |
| Staff development | 11,958 | - | - | - |
| Telecommunications | 11,315 | 491 | 491 | 983 |
| Travel | 33,737 | 1,467 | 1,467 | 2,933 |
| Total expenses | \$ 851,207 | \$ 150,813 | \$ 98,765 | \$ 249,578 |
| | | | | \$ 1,100,785 |

The accompanying notes are an integral part of this statement.

INNOCENCE PROJECT NEW ORLEANS

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

OPERATING ACTIVITIES

| | |
|--|---------------|
| Change in net assets | \$ 207,700 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 3,958 |
| Decrease in other assets | 4,813 |
| Increase in receivables | (39,568) |
| Decrease in accounts payable and other accrued liabilities | (95,650) |
| Net cash provided by operating activities | <u>81,253</u> |

INVESTING ACTIVITIES

| | |
|---------------------------------------|----------------|
| Purchase of furniture and equipment | <u>(2,030)</u> |
| Net cash used in financing activities | <u>(2,030)</u> |

Net increase in cash 79,223

Cash, beginning of year -

Cash, end of year \$ 79,223

The accompanying notes are an integral part of this statement.

INNOCENCE PROJECT NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Innocence Project New Orleans (IPNO) is a 501 (c) (3) non-profit organization that represents innocent prisoners serving life sentences in Louisiana and south Mississippi and assists them with their transition into the free world upon their release.

IPNO was incorporated on April 27, 2000 pursuant to the provisions of the Louisiana Nonprofit Law, Louisiana R.S. 12:201 – 12:269 (1950 as amended).

IPNO offers and provides the following programs and services:

- Case Review and Representation
- Education/Public Outreach and Policy Reform Program
- Exoneree Advocacy Program

Program services provided by IPNO are funded primarily by grants from the following organizations:

- Louisiana Public Defender Board
- Ford Foundation
- Louisiana Bar Foundation
- Mississippi Bar Foundation
- Open Society Foundation
- Bureau of Justice Assistance
- Baptist Community Ministries

Classification of Net Assets

The operations of IPNO are accounted for as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of IPNO and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of IPNO pursuant to those stipulations. IPNO does not have any permanently restricted net assets as of December 31, 2011.

IPNO reports donations as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donations received to support the cost of operations are recorded as unrestricted support.

INNOCENCE PROJECT NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

IPNO is a nonprofit organization whose financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, IPNO considers all highly liquid investments with initial maturity of three months or less to be cash equivalents. IPNO had no cash equivalents at December 31, 2011.

Furniture and Equipment

Furniture and equipment of IPNO are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements, and expenditures greater than \$500 that significantly extend the useful life of an asset are capitalized.

Depreciation of equipment is provided using the double-declining balance method over an estimated useful life of 3-5 years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

INNOCENCE PROJECT NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among IPNO's programs.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2011. The Organization's tax returns for the years ended December 31, 2010, 2009 and 2008 remain open and subject to examination by taxing authorities. The tax return for 2011 has not been filed as of the report date.

2. Economic Dependency

The primary sources of revenues for IPNO are grants and contributions provided through various funding agencies. The continued operations of IPNO are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding.

3. Grants

IPNO received funding from the following sources for the year ended December 31, 2011:

| | | |
|--------------------|----|---------------------|
| Federal | \$ | 102,174 |
| Foundations | | 596,988 |
| State of Louisiana | | <u>400,000</u> |
| Total grants | | <u>\$ 1,099,162</u> |

INNOCENCE PROJECT NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

4. Restricted Net Assets

Temporarily restricted net assets of \$20,300 as of December 31, 2011 consisted of restricted contributions that IPNO expects to expend for the purpose of planning and designing a symposium to be held in the fall of 2012.

5. Property and Equipment

At December 31, 2011, property and equipment consisted of the following:

| | | |
|--------------------------------|----|----------------------|
| Furniture and equipment | \$ | 17,292 |
| Computers | | 12,832 |
| Automobile | | 1,254 |
| | | <hr/> |
| | | 31,378 |
| Less: accumulated depreciation | | <hr/> (23,232) <hr/> |
| Total | \$ | <hr/> 8,146 <hr/> |

Included in other assets is a building purchased in 2008 for Resurrection After Exoneration (RAE) under a restricted grant received in 2007. The restrictions of the grant stipulate that the building may only be used as residential accommodation for exonerees and other former long term prisoners, and may not be transferred to any for-profit entity or used as collateral for any for-profit business enterprise. IPNO will transfer the building to RAE at such time as RAE is determined to have nonprofit (501(c)(3)) status by the Internal Revenue Service.

6. Lease Commitments

IPNO occupies office space under a 3-year noncancellable operating lease, with a two-year option to renew, that commenced on September 1, 2008 with monthly rent of \$3,500. IPNO also leases a copier under a 5-year operating lease that commenced on October 2, 2008 with monthly rent of \$206.

The future minimum lease payments under the above operating leases as of December 31, 2011 are \$2,468 in 2012 and \$1,851 in 2013.

INNOCENCE PROJECT NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

7. Restatement of Net Assets

Certain errors resulting in an overstatement of net assets were discovered during the current year that effects the prior year financial statements. The net asset amounts previously included in the 2010 reviewed financial statements have been restated as follows:

| As of December 31, 2010: | <u>As reported</u> | <u>Adjustment</u> | <u>As restated</u> |
|--------------------------|--------------------|---------------------|--------------------|
| Net assets | <u>\$ 117,012</u> | <u>\$ (193,523)</u> | <u>\$ (76,511)</u> |

8. Subsequent Events

Subsequent events were evaluated through June 27, 2012, which is the date the financial statements were available to be issued, and no items were noted for disclosure.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
The Innocence Project New Orleans

We have audited the financial statements of The Innocence Project New Orleans (the Organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management of the Organization, the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netter

Metairie, Louisiana
June 27, 2012